shall be negotiated based on the prevailing cost of the individual care plan and subject to an upper payment limit that is based on the comparable rate from the medicare prospective payment system.

(4) No additional amount above that figured at the Kansas medical assistance program daily rate shall be allowed until the service has been authorized by the agency.

(5) The criteria shall be reviewed quarterly to determine if the resident is ventilator-dependent. If a resident is no longer ventilator-dependent, the provider shall not receive additional reimbursement beyond the Kansas medical assistance program daily rate determined for the facility.

(6) The additional reimbursement for the ventilator-dependent resident shall be offset to the cost center of benefit on the nursing facility financial and statistical report. (Authorized by and implementing K.S.A. 39-708c; effective May 1, 1985; amended May 1, 1986; amended, T-87-29, Nov. 1, 1986; amended May 1, 1987; amended, T-89-5, Jan. 21, 1988; amended Sept. 26, 1988; amended Jan. 2, 1989; amended Jan. 2, 1990; amended, T-30-10-1-90, Oct. 1, 1990; amended Jan. 30, 1991; amended Oct. 28, 1991; amended May 1, 1992; amended Nov. 2, 1992; amended Jan. 3, 1994; amended July 1, 1994; amended Sept. 30, 1994; amended Dec. 29, 1995; amended Jan. 1, 1999; amended June 28, 2002; amended Dec. 31, 2002; amended, T-30-5-30-03, July 1,

2003; amended July 25, 2003.)

30-10-19. Rates; effective dates. (a) Effective date of per diem rates for ongoing providers filing calendar year cost reports. The effective date of a new rate that is based on information and data in the nursing facility cost report for the calendar year shall be July 1.

(b) Effective date of the per diem rate for a new provider operating on the rate from cost data of the previous provider.

(1) The effective date of the per diem rate for a new provider shall be the date of certification by the department of health and environment.

(2) The effective date of the per diem rate based on the first historical cost report filed in accordance with K.A.R. 30-10-17 shall be the first day of the 25th month of operation. Any rates paid after the effective date of the rate based on the first historical cost report shall be adjusted to the new rate from the historical cost report.

(c) Effective date of the per diem rate from a projected cost report.

(1) The effective date of the per diem rate based on a projected cost report for a new provider, as set forth in K.A.R. 30-10-18 (c) and (e), shall be the date of certification by the department of health and environment.

(2) The interim rate determined from the projected cost report filed by the provider shall be established by the agency

and given to the fiscal agent on or by the first day of the third month after the receipt of a complete and workable cost report.

(3) The effective date of the final rate, determined after an audit of the historical cost report filed for the projected cost report period, shall be the date of certification by the department of health and environment.

(4) The second effective date for a provider filing an historic cost report covering a projected cost report period shall be the first day of the month following the last day of the period covered by the report, which is the date that the inflation factor is applied in determining prospective rates.

(d) Each provider shall receive an adjusted rate quarterly if there are changes in the facility's medicaid case mix index as described in K.A.R. 30-10-18.

(Authorized by and implementing K.S.A. 39-708c; effective May 1, 1985; amended May 1, 1987; amended May 1, 1988; amended Jan. 2, 1989; amended Jan. 2, 1990; amended, T-30-10-1-90, Oct. 1, 1990; amended Jan. 30, 1991; amended Oct. 28, 1991; amended Nov. 2, 1992; amended Jan. 3, 1994; amended Dec. 29, 1995; amended Jan. 1, 1997; amended July 1, 2002; amended, T-30-5-30-03, July 1, 2003; amended July 25, 2003.)

30-10-23b. Costs allowed with limitations. (a) The following amortized expenses or costs shall be allowed with limitations:

(1) The provider shall amortize loan acquisition fees and standby fees over the life of the related loan if the loan is related to resident care.

(2) Only the taxes specified below shall be allowed as amortized costs:

(A) Taxes in connection with financing, refinancing, or refunding operations; and

(B) special assessments on land for capital improvements over the estimated useful life of those improvements.

(3) Any start-up cost of a provider with a newly constructed facility or a facility that has been closed for 24 months or more shall be recognized if the cost meets the following criteria:

(A) Is incurred within 90 days of the opening of the facility and related to developing the ability to care for residents;

(B) is amortized over a period of at least 60 months;

(C) is consistent with the facility's federal income tax return, and internal and external financial reports, with the exception of paragraph (a)(3)(B) above; and

(D) is identified in the cost report as a start-up expense, which may include the following:

(i) Administrative and nursing salaries;

(ii) utilities;

(iii) taxes, as identified in paragraphs (a)(2)(A) and (B);

(iv) insurance;

(v) mortgage interest;

(vi) employee training costs; and

(vii) any other allowable costs incidental to the operation of the facility.

(4) Each cost that can properly be identified as an organization expense or can be capitalized as a construction expense shall be appropriately classified and excluded from the start-up cost.

(5) Organization and other corporate costs, as defined in K.A.R. 30-10-1a, of a provider that is newly organized shall be amortized over a period of at least 60 months beginning with the date of organization.

(A) The costs shall be reasonable and limited to the preparation and filing of documents required by the various governmental entities, the costs of preparing sale or lease contracts, and the associated legal and professional fees.

(B) The costs shall not include expenses of resolving contested issues of title or disputes arising from the performance of contracts or agreements related to the purchase or sale of a property or business.

(b) Membership dues and costs incurred as a result of membership in professional, technical, or business-related organizations shall be allowable. However, similar expenses set forth in paragraph (a)(9) of K.A.R. 30-10-23a shall not be allowable.

(c) The provider shall include the costs associated with services, facilities, and supplies furnished to the nursing facility by related parties, as defined in K.A.R. 30-10-1a, in the allowable cost of the facility at the actual cost to the related party, except that the allowable cost to the nursing facility provider shall not exceed the lower of the actual cost or the market price.

(d) If a provider pays an amount in excess of the market price for supplies or services, the agency shall use the market price to determine the allowable cost under the medicaid/medikan program in the absence of a clear justification for the premium.

(e) The net cost of job-related training and educational activities shall be an allowable cost. The allowable cost shall include the net cost of "orientation" and "on-the-job training."

(f) Resident-related transportation costs shall include only reasonable costs that are directly related to resident care and substantiated by detailed, contemporaneous expense and mileage records. Transportation costs only remotely related to resident care shall not be allowable. Estimates shall not be

acceptable.

(g) Lease payments.

(1) Lease payments shall be reported in accordance with the financial accounting statements of the financial accounting standards board.

(2) Sale-leaseback transactions shall have the costs limited to the amount that the provider would have included in reimbursable costs if the provider had retained legal title to the facilities and equipment. These costs shall include mortgage interest, taxes, depreciation, insurance, and maintenance costs. The lease cost shall not be allowable if it exceeds the ownership costs before the sale-leaseback transaction.

(Authorized by and implementing K.S.A. 39-708c; effective May 1, 1985; amended, T-30-10-1-90, Oct. 1, 1990; amended Jan. 30, 1991; amended May 1, 1992; amended Nov. 2, 1992; amended Dec. 29, 1995; amended Aug. 15, 2003.)

State of Kansas
Department of Social & Rehabilitation Services (SRS)/
Department on Aging (KDOA)

INSTRUCTIONS FOR COMPLETING THE NURSING FACILITY FINANCIAL AND STATISTICAL REPORT (FORM MS-2004)

PURPOSE

The purpose of this report is to obtain the resident-related costs incurred by nursing facilities (NF) and nursing facilities-mental health (NF-MH) in providing services according to applicable state and federal laws, regulations, and quality and safety standards. The regulations governing the completion of this report and NF reimbursement can be found in the Kansas Administrative Regulations (KAR), Chapter 30, Part 10.

SUBMITTAL INSTRUCTIONS

1. One blank Form MS-2004 on diskette, Nursing Facility Financial and Statistical Report, will be sent by the Program and Policy Commission to each nursing facility in the Kansas Medical Assistance Program before the end of the home's reporting period.

2. Send the completed form MS-2004 and form AU-3903 (Census Summary) for each month of the reporting period on diskette, along with two printed and signed copies of page 16 of the MS-2004 to the following address:

Kansas Department on Aging
New England Building
503 S. Kansas Avenue
Topeka, Kansas 66603-3404
Attention: Director, Nursing Facility Rate Setting

3. All inquires on completion of these forms should be directed to the Director, NF Rate Setting at (785) 296-0703.

GENERAL

The cost report is organized by the following sections and numbering schemes. Not all line numbers within each range are used.

General Information	Lines 1-99
Schedule A, Operating Cost Center	Lines 101-199
Schedule A, Indirect Health Care Cost Center	Lines 201-299
Schedule A, Direct Health Care Cost Center	Lines 301-399
Schedule A, Ownership Cost Center	Lines 401-499
Schedule A, Non-Reimbursable/Non-Resident Related Expense Items	Lines 501-599
Schedule B, Expense Reconciliation	Lines 601-650
Schedule C, Statement of Owners and Related Parties	Not Numbered
Schedule D, Statement Related to Interest...	Lines 651-699
Schedule E, Balance Sheet	Lines 701-750
Schedule F, Beginning & Ending Residual Balances Reconciliation	Lines 751-799
Schedule G, Revenue Statement	Lines 801-850
Schedules H(1), Related ACH Info, and H(2), Non-Resident Related...	Lines 851-899
Schedule I, Fixed Asset, Depreciation & Amortization Questionnaire	Lines 901-950
Schedule J, Employee Turnover Report	Lines 951-999

1. Complete the forms accurately and legibly. Any report that is incomplete or is not legible shall be promptly returned to the provider. Failure to submit a complete cost report shall result in suspension of payment until the complete cost report is received.

2. All amounts must be rounded to the nearest dollar and sum to the total.

JUL 28 2004

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3. **DO NOT** add lines to the forms. Use "OTHER" lines for resident-related expenses not designated on the Expense Statement, Schedule A. Attach a schedule if necessary.

4. **DO NOT** cross out or re-title lines on the forms. **DO NOT** include more than one amount per line. If more than one amount or journal entry is combined, submit an attachment with explanation. The attachment should be sorted by cost report line number and should include subtotals.

5. Enter the ten (10) digit SRS provider number on page 1 and in the blank space provided at the top of each schedule. **DO NOT** use your federal number assigned by the Dept. of Health & Environment.

6. Use the accrual method of accounting in reporting financial data. Revenues are reported in the period when **earned**, and not when received, and expenses are reported when **incurred**, not when paid.

7. Estimates of revenues and expenses are not acceptable.

8. All cost reports, historical or projected, must be for a period of 12 consecutive months except as provided in KAR 30-10-17. Providers who filed a projected cost report must file a historical report for the projection period and a historical report for the first calendar year following the end of the projection period.

9. All calendar year cost reports shall be received by the agency no later than the close of business on the last working day of February. All other historical cost reports covering a projection status period shall be received by the agency no later than the close of business on the last working day of the second month after the reporting period ends. The provider may request a one month extension of the due date by submitting the request in writing to the address in the submittal instructions within the time period allowed for filing the original cost report. The extension will be granted if the agency determines that the provider has shown good cause. NOTE: IF A COST REPORT IS RECEIVED AFTER THE DUE DATE WITHOUT AN APPROVED TIME EXTENSION, THE PROVIDER IS SUBJECT TO THE PENALTIES SPECIFIED IN KAR 30-10-17.

10. Each NF/NF-MH must maintain adequate accounting and/or statistical records. Inadequate record keeping is cause for suspension of payments. KAR 30-10-15b. If non-NF/NF-MH program expenses have been commingled with the NF or NF-MH, see the instructions for provider adjustments on Schedule A, Expense Schedule.

11. Reimbursement rates (per diem) for NF: The per diem rate of reimbursement for those facilities participating in the Kansas Medical Assistance program is based on the reported costs and resident days as adjusted by a desk review of the cost report and payment limitations. Each cost report is also subject to a field audit to arrive at a final settlement for the period upon which the per diem rate was based.

12. **KANSAS ADMINISTRATIVE REGULATIONS:** Copies of the regulations governing NF Kansas Medical Assistance reimbursement may be obtained at a cost by sending a request to the Department on Aging to the address given in the submittal instructions. NOTE: SINCE THE REGULATIONS MAY BE CHANGED, THE PREPARER OF THE COST REPORT SHOULD CAREFULLY REVIEW THE MOST RECENT VERSION PRIOR TO COMPLETING THE FORM MS-2004 FOR SUBMISSION.

13. **NURSING FACILITIES ATTACHED TO HOSPITALS:** A nursing facility that is attached or associated with a hospital and shares expenditures shall submit the cost report (MS-2004), census sheets (AU-3902), and the following Medicare schedules: W/S A, A-6, A-8, B Part I and B-1. Also include the working trial balance that includes both the hospital and the long-term unit. A "step-down process" will be run using the statistical information from W/S B-1 and the net expenses for cost allocation from Column 0 on W/S B Part 1. This will provide the indirect long-term care unit costs. Based on the long term care cost to net expense ratio, each department cost will be allocated to the appropriate line of the cost report. The total cost reported on the cost report should equal the long-term care total, Column 25, on W/S B Part 1.